

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1672 - SB 1762

February 11, 2020

SUMMARY OF ORIGINAL BILL: Transfers the administration of the workers' compensation exemption registry for construction service providers from the Secretary of State's Office (SOS) to the Bureau of Workers' Compensation (BWC).

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$634,200/FY20-21/EMEEF

SUMMARY OF AMENDMENT (014622): Deletes and replaces language in the original bill without making any substantive changes to the legislation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the corrected fiscal note.

Assumptions for the bill as amended:

- This legislation takes effect July 1, 2021, or in FY21-22.
- Currently, the SOS handles all aspects of the exemption registry, including accepting workers' compensation exemption and renewals, and the BWC enforces such exemptions.
- In FY19-20, the SOS incurred recurring costs of \$141 for translator services and \$2,105 for printing and postage. In addition, it is assumed that the cost for annual maintenance of the registry averaged \$5,000. The SOS incurred no direct labor costs.
- These costs will shift to the BWC and continue to be paid out of the Employee Misclassification Education and Enforcement Fund (EMEEF).
- A filing fee of \$100 for contractors who do not hold a license from the Board for Licensing Contractors and \$50 for contractors who do hold a license.
- Such revenue is currently and will continue to be allocated to the EMEEF.
- Annual revenue to the EMEEF of approximately \$1,600,000.
- It is assumed that this revenue stream will remain consistent into perpetuity.
- The BWC is planning to build its own registry as a result of this legislation.
- Based upon quotes from Strategic Technology Solutions, there will be a one-time increase in expenditures of \$634,233 from the EMEEF for computer system upgrades to

accommodate the exemption registry. It is assumed that this registry will be built in FY20-21, in anticipation of this legislation's effective date.

- The net impact to the EMEEF in the FY21-22 and subsequent years is assumed to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb